



Internal Audit Services Charter

— DRAFT —

MISSION

The mission of Virginia Information Technologies Agency's (VITA) Internal Audit Services (IAS) is to assist VITA management, the Chief Information Officer (CIO) and the Information Technology Investment Board (ITIB) through the Finance and Audit Committee, in the effective performance of their responsibilities. VITA IAS fulfills this mission by providing independent, objective assurance and consulting services. These services are designed to add value and improve the organization's operations using a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes.

SCOPE OF WORK

The IAS scope of work is to determine whether VITA's network of risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to provide reasonable assurance that:

- Risks are appropriately identified and managed.
- VITA's control processes are adequate and functioning as intended.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Program plans and objectives are achieved.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control, financial position, and the organization's image may be identified during audits. Those issues will be communicated to the appropriate level of management.

ACCOUNTABILITY

The Internal Audit Director, in the discharge of his/her responsibilities, shall be accountable to the ITIB through the Finance and Audit Committee, and report on a daily basis to the CIO. Both the CIO and the Finance and Audit Committee will be involved in personnel decisions concerning the Internal Audit Director.

INDEPENDENCE

IAS can be independent only when the work can be done freely and objectively. Independence, in fact and in appearance, permits the internal auditor to render the impartial and unbiased judgments essential to the proper conduct of any internal audit. To provide for the independence of IAS, its personnel report to the Internal Audit Director, who reports to the Finance and Audit Committee and the CIO in a manner outlined in the previous section on Accountability.

RESPONSIBILITIES

IAS will assist the ITIB Finance and Audit Committee, the CIO and VITA management by:

- Developing and executing an annual risk-based audit plan. The plan will be submitted to the CIO for review and comment and to the Finance and Audit Committee for approval. Because issues will arise during the normal course of business, the annual plan shall include time for management requests and special projects, and proactive requests for assistance will be encouraged.
- Including in the audit plan, as appropriate relative to risk and resources, participation in an advisory capacity in the planning, development, implementation or change of significant control processes or systems. The Internal Audit Director shall ensure that the level of participation in these projects does not affect IAS's responsibility for evaluating these processes or systems during future audits nor compromise its independence when performing such audits.
- Issuing periodic reports to the Finance and Audit Committee and the CIO, summarizing the results of audit activities.

- Entering all audit recommendations made by the Auditor of Public Accounts, Join Legislative Audit and Review Commission, any other external auditors, and VITA's IAS into an audit tracking system and monitoring the responses by management. Should management not agree with a recommendation, it will nevertheless be entered into the audit tracking system. The Finance and Audit Committee will then hear the recommendation, and either direct management to respond to the comment with appropriate corrective action or direct the Internal Audit Director to note in the audit tracking system that management has decided to accept the risk in question by not implementing corrective action.
 - o At least semiannually, IAS will request from management the status of each planned corrective action, and issue a status report to the CIO.
 - o At least annually, the most recent report from the audit tracking system will be presented to the Finance and Audit Committee.
 - o Once management represents that a recommendation has been implemented, it will remain in the semiannual reports until the Internal Audit Director specifically releases the comment through another audit report or some other acceptable means of follow-up.
- Coordinating with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, and external audit.) to provide optimal audit coverage to VITA at a reasonable cost and periodically reviewing with general counsel any regulatory matters that may have a material impact on the entity's financial statements, compliance policies and programs.
- Investigating potential fraud. The Internal Audit Director will serve as VITA's Fraud Hotline Coordinator for all matters concerning the Commonwealth Employee Fraud, Waste and Abuse Hotline Program. In addition, IAS will be notified upon discovery of circumstances suggesting a reasonable possibility that a fraudulent transaction has occurred involving funds or property under the control of VITA as to which one or more VITA employees may be party. IAS will prepare the notification letters to the Auditor of Public Accounts and the Virginia State Police for the CIO's signature in accordance with § 30-138 of the Code of Virginia. If appropriate, IAS will also perform sufficient investigations and tests to identify any control weaknesses that may exist concerning the discovery and notify the CIO and the Finance and Audit Committee of the results. However, the investigation of the specific event with the objective of recovery and/or prosecution is the responsibility of the appropriate police officials, with the decision to prosecute being the responsibility of the appropriate Commonwealth's Attorney.

- Maintaining a professional internal audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Keeping the Finance and Audit Committee and the CIO informed of emerging trends and successful practices in internal auditing.
- Arranging for an independent, full-scope quality assurance review of the IAS program and operations at least once every five years.

AUTHORITY

The Internal Audit Director and staff of IAS are authorized to:

- Have unrestricted access to all functions, records, property, and personnel. The CIO has endorsed this right and has resolved that the scope of internal audit activities not be restricted by actions of management.
- Have full access to the Finance and Audit Committee.
- Allocate IAS resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as that of other specialists from within or outside VITA.

The Internal Audit Director and staff of IAS are not authorized to:

- Perform operational duties for VITA or its affiliates.
- Initiate or approve accounting transactions external to IAS.
- Direct the activities of any organization employee not employed by IAS, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

STANDARDS OF AUDIT PRACTICE

IAS will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

Margaret B. Ward
Internal Audit Director

Date

Lemuel C. Stewart, Jr.
Chief Information Officer

Date

Scott D. Pattison
Finance and Audit Committee Chair

Date